

## **Temenos reports Q1 2011 results: Revenues up 10%, reconfirms full year outlook**

Geneva, Switzerland, 19 April, 2011 – Temenos Group AG (SIX: TEMN), the market leading provider of core banking solutions, today reports results for its first quarter 2011, showing 10% revenue growth and enabling the group to reconfirm its full year outlook.

### **Q1 Financial and Operating highlights**

- Like-for-like licence growth +6%, reported licence growth 3%
- Like-for-like total revenue growth -1%, reported revenue growth +10%
- Product extensions 16% of licence revenue
- Maintenance revenues up 39% to USD49m
- Partnership with Wipro to deliver T24 on ASP model to smaller, European banks

Commenting on the results, Temenos CEO Andreas Andreades said, “Temenos operates in a very exciting software market. Banks need to address their IT cost base if they are to restore profitability to pre-crisis levels and the maintenance of legacy core banking applications remains the largest source of spending today. Furthermore, banks that have taken modern core banking software are proven to enjoy higher profitability and faster growth.

Temenos remains the best-placed vendor to capitalise on this exciting market opportunity and these improving market dynamics. The results of the annual IBS league table published during the quarter confirm that T24 remains the best-selling core banking application and Temenos continues to gain significant market share. This market leadership is based on providing the highest value-added solution in our industry, which we are taking to an ever greater audience through acquisitions and by expanding our partner delivery channel.

In the quarter, licence growth was below trend as we saw some temporary slow-down in decision making as a result of the geopolitical issues in the Middle East and Japan. With Q1 being the seasonally smallest quarter in the year, small licence volatility can get amplified. We continue to be very confident that we can deliver our full year outlook. The drivers for core replacement and the corresponding levels of demand are intensifying, meaning that our pipeline and pipeline cover are very healthy and, along with the contracted revenues from the Wipro partnership, support our full year outlook.”

### **Revenue**

Revenue for the first quarter was USD 103.1m, up from USD 93.9m in the same period last year, representing an increase of 10%. Licence revenue for the quarter was USD 28.1m, 3% higher than in 2010. For the LTM 2011, total revenue was USD 457m, up 19% on LTM 2010, with licence revenue at USD 160.9m, 28% higher than the same period last year.



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### **Adjusted EBIT**

Adjusted EBIT (EBIT before restructuring charges and amortization of acquired intangibles) was USD 5m in the quarter, 60% lower than in Q1 2010. Adjusted EBIT for the last twelve months was USD 106.2m compared to USD 92.7m in the prior period, representing a 15% increase. The adjusted EBIT margin was 5%, a decrease of nearly 850 basis points on the prior year, with LTM 2010 adjusted EBIT margin at 23%, 98 basis points lower than in the prior 12 months.

### **Earnings Per Share (EPS)**

Adjusted EPS, which excludes amortization of acquired intangibles and restructuring charges, was USD 0.05 in the quarter, down from USD 0.17 in the same quarter of the previous year, which represents a decrease of 70%. The LTM adjusted EPS was 1.36, up 8% on the previous 12 months.

### **Cash**

Operating cash was an outflow of USD 19m in the quarter, reflecting chiefly the seasonality of maintenance cash collection as well as the timing of supplier payments. On a twelve month basis, operating cashflow was USD 85.1mm, 36% lower than in the comparative period, but nonetheless representing an 82% operating cashflow into EBITDA conversion.

### **Outlook**

On a like-for-like basis, we raise our licence growth expectation. The company expects licence revenue adjusting for acquisitions, FX and discontinued operations to grow 19-24%. This implies a licence revenue range of approximately USD197-205m. For total revenues, the company anticipates an unchanged range of between 22-26%, which represents a range of between USD 546-564m. Adjusted EBIT margin guidance of 26-27% and EBIT margin guidance of 20-21% are left unchanged.

### **Conference call**

At 17.30 GMT/ 18.30 CET/ 12.30 EST, today, April 19, 2010, Andreas Andreades, CEO, David Arnott, CFO, and Max Chuard, Director of M&A and IR, will host a conference call to present results and offer an update on business outlook. Listeners can access the conference call using the following dial in numbers:

#### **Conference ID: 59084216**

UK Standard International: +44 (0) 1452 569 335

UK Free Call: 0808 238 0673

US Free Call: 1 866 655 1591

Swiss Local Call: 0445 804 038

Swiss Free Call: 0800 650 052

A transcript will be made available on the company website 48 hours after the call.

Presentation slides for the call can be accessed using the following link

<http://www.temenos.com/Investor-Relations/New-Presentations/>



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## About Temenos

Founded in 1993 and listed on the Swiss Stock Exchange (SIX: TEMN), Temenos Group AG is a global provider of banking software systems in the Retail, Corporate & Correspondent, Universal, Private, Islamic and Microfinance & Community banking markets. Headquartered in Geneva with more than 60 offices worldwide, Temenos serves over 1100 customers in more than 120 countries. Temenos' software products provide advanced technology and rich functionality, incorporating best practice processes that leverage Temenos' experience in over 600 implementations around the globe. Temenos' advanced and automated implementation approach, provided by its strong Client Services organisation, ensures efficient and low-risk core banking platform migrations. Temenos is top of the IBS Sales League Table 2010; winner every year since its launch of the Best Core Banking Product in Banking Technology magazine's Readers' Choice Awards and ranks 26th in the American Banker top 100 FinTech companies. Temenos customers are proven to be more profitable than their peers: data from *The Banker – top 1000 banks* shows that Temenos' customers enjoy a 54% higher return on assets, a 62% higher return on capital and a cost/income ratio that is 7.2 points lower than non-Temenos customers.

For more information please visit [www.temenos.com](http://www.temenos.com)

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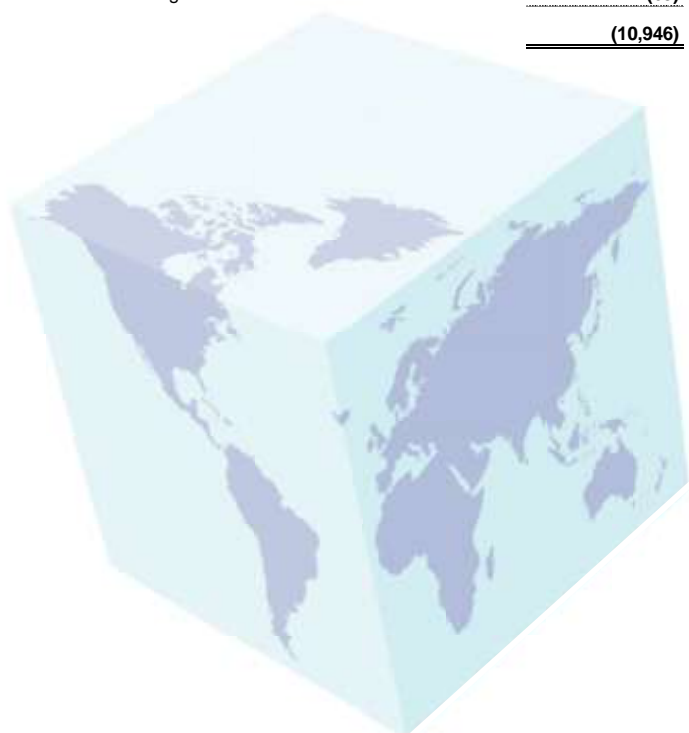
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## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2011	Three months to 31 March 2010	Twelve months to 31 March 2011	Twelve months to 31 March 2010
<b>Revenues</b>				
Software licensing	28,056	27,240	160,924	125,412
Maintenance	48,819	35,064	168,543	124,368
Services	26,268	31,635	127,688	133,288
<b>Total revenues</b>	<b>103,143</b>	<b>93,939</b>	<b>457,155</b>	<b>383,068</b>
<b>Operating expenses</b>				
Sales and marketing	19,482	16,925	85,914	71,575
Services	43,934	33,213	148,190	112,680
Software development and maintenance	32,034	24,973	95,950	68,797
General and administrative	17,162	16,995	64,712	56,654
<b>Total operating expenses</b>	<b>112,612</b>	<b>92,106</b>	<b>394,766</b>	<b>309,706</b>
<b>Operating profit/(loss)</b>	<b>(9,469)</b>	<b>1,833</b>	<b>62,389</b>	<b>73,362</b>
<b>Other income (expenses)</b>				
Net financing and interest expenses	(1,724)	(2,201)	(12,481)	(8,521)
Foreign exchange gain (loss) - net	428	718	785	(572)
<b>Total other income (expenses)</b>	<b>(1,296)</b>	<b>(1,483)</b>	<b>(11,696)</b>	<b>(9,093)</b>
<b>Profit/(loss) before taxation</b>	<b>(10,765)</b>	<b>350</b>	<b>50,693</b>	<b>64,269</b>
Taxation	(181)	(140)	(442)	(496)
<b>Profit/(loss) for the period</b>	<b>(10,946)</b>	<b>210</b>	<b>50,251</b>	<b>63,773</b>
Attributable to:				
Equity holders of the Company	(10,877)	305	50,459	63,855
Non-controlling interest	(69)	(95)	(208)	(82)
	<b>(10,946)</b>	<b>210</b>	<b>50,251</b>	<b>63,773</b>





## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2011	31 December 2010	31 March 2010
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	66,743	160,274	155,102
Trade receivables	300,977	295,888	267,522
Other receivables	36,655	34,675	28,219
<b>Total current assets</b>	<b>404,375</b>	<b>490,837</b>	<b>450,843</b>
<b>Non-current assets</b>			
Property, plant and equipment	15,199	14,797	12,965
Intangible assets	422,336	406,680	273,705
Trade receivables	26,800	30,800	16,235
Other receivables	3,061	2,703	2,055
Deferred tax assets	37,687	38,429	34,165
<b>Total non-current assets</b>	<b>505,083</b>	<b>493,409</b>	<b>339,125</b>
<b>Total assets</b>	<b>909,458</b>	<b>984,246</b>	<b>789,968</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	111,752	120,434	94,405
Deferred revenues	145,463	155,408	109,340
Income taxes payable	12,350	12,155	5,948
Borrowings	129,399	94,448	33,362
<b>Total current liabilities</b>	<b>398,964</b>	<b>382,445</b>	<b>243,055</b>
<b>Non-current liabilities</b>			
Borrowings	88,557	88,172	230,847
Deferred tax liabilities	12,055	13,334	13,778
Income taxes payable	1,550	1,550	1,042
Retirement benefit obligations	3,111	2,711	2,190
Trade and other payables	3,379	3,307	851
<b>Total non-current liabilities</b>	<b>108,652</b>	<b>109,074</b>	<b>248,708</b>
<b>Total liabilities</b>	<b>507,616</b>	<b>491,519</b>	<b>491,763</b>
<b>Shareholders' equity</b>			
Share capital	237,927	236,958	194,651
Treasury shares	(100,803)	(9,208)	-
Share premium	12,184	19,508	(93,846)
Fair value and other reserves	(37,938)	(55,896)	(42,726)
Retained earnings	289,982	300,859	239,523
<b>Total shareholders' equity</b>	<b>401,352</b>	<b>492,221</b>	<b>297,602</b>
<b>Non-controlling interest</b>	<b>490</b>	<b>506</b>	<b>603</b>
	<b>401,842</b>	<b>492,727</b>	<b>298,205</b>
<b>Total liabilities and equity</b>	<b>909,458</b>	<b>984,246</b>	<b>789,968</b>

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All amounts are expressed in thousands of US dollars

	Three months to 31 March 2011	Three months to 31 March 2010	Twelve months to 31 March 2011	Twelve months to 31 March 2010
<b>Cash flows from operating activities</b>				
Profit/(loss) before taxation	(10,765)	350	50,693	64,269
<u>Adjustments:</u>				
Depreciation and amortisation	11,501	9,917	41,485	33,289
Other non-cash items	8,815	(718)	28,926	25,531
<u>Changes in working capital:</u>				
Trade and other receivables	909	1,767	(6,146)	15,797
Trade and other payables	(14,427)	12,491	(20,715)	(8,966)
Deferred revenues	(14,992)	(2,089)	(9,094)	2,215
Cash (used in)/ generated from operations	(18,959)	21,718	85,149	132,135
Income taxes paid	(934)	(1,624)	(2,111)	(4,314)
Net cash (used in)/generated from operating activities	(19,893)	20,094	83,038	127,821
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,629)	(311)	(4,732)	(2,026)
Disposal of property, plant and equipment	27	250	400	290
Purchase of intangible assets	(704)	(461)	(3,414)	(2,641)
Capitalised development costs	(6,210)	(4,752)	(23,707)	(20,275)
Acquisitions, net of cash acquired	-	(888)	(80,881)	(84,557)
Disposal of subsidiary, net of cash disposed	-	2,590	944	2,590
Cash effect from financial instruments	(2,057)	(1,802)	(4,992)	(3,608)
Interest received	58	67	297	224
Others, net	-	-	(8)	-
Net cash used in investing activities	(10,515)	(5,307)	(116,093)	(110,003)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares, net of related expenses	-	2,751	-	4,261
Proceeds / (repayment) of debt	34,988	-	47,031	69,057
Cash impact of debt refinancing	-	-	12,014	-
Acquisition of treasury shares	(96,322)	-	(106,739)	-
Interest payments	(906)	(2,286)	(5,203)	(2,873)
Payment of financial instrument related expenses	(2,309)	(105)	(7,172)	(1,158)
Payment of finance lease liabilities	(196)	(115)	(735)	(590)
Other, net	-	(2)	51	(14)
Net cash (used in)/generated from financing activities	(64,745)	243	(60,753)	68,683
Exchange gain (loss) on cash and cash equivalents	1,622	(2,579)	5,449	(45)
Net (decrease)/increase in cash and cash equivalents in the period	(93,531)	12,451	(88,359)	86,456
Cash and cash equivalents at the beginning of the period	160,274	142,651	155,102	68,646
Cash and cash equivalents at the end of the period	66,743	155,102	66,743	155,102